



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

September 23, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The National Bank of Waupun
Charter Number: 7898**

**210 E. Main Street
Waupun, WI 53963**

**Comptroller of the Currency
Milwaukee Field Office
1200 N. Mayfair Road, Suite 200
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NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION:

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance for The National Bank of Waupun, prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of September 23, 2002. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

- The bank originates a majority of loans inside its assessment area.
- The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs.
- Lending activities represent strong penetration among individuals of different income levels.
- Lending activities represent adequate penetration among businesses and farms of different sizes.

DESCRIPTION OF INSTITUTION:

The National Bank of Waupun (NBW) is an \$81.6 million bank with the main office located in downtown Waupun, Wisconsin, a middle-income block numbering area (BNA). The bank operates a full-service branch located in Brandon, Wisconsin, approximately three miles north of Waupun. The bank maintains five ATMs: four in Waupun and one at the Brandon branch. The Brandon branch office opened in 1999. No bank branches have closed since the previous evaluation. The bank is wholly owned by National Bankshares of Waupun, a one-bank holding company located in Waupun, Wisconsin.

The bank offers traditional community bank services with gross loans representing 72% of total assets as of June 30, 2002. The bank is primarily a residential real estate and small business lender. In terms of dollars, residential real estate loans represent 43% of NBW's total loan portfolio, commercial loans 24%, agricultural loans 19%, and consumer loans 14%.

The bank offers Farm Services Agency (FSA), Small Business Association (SBA) and Wisconsin Housing and Economic Development Authority (WHEDA) loans. As of September 2002 the bank had a total of \$200 thousand in FSA guaranteed loans, \$298 thousand in WHEDA loans, and no

commercial loans guaranteed in whole or in part by the SBA. The bank is also involved in the City of Waupun's Housing Program that offers grants used for down payments on home purchases or as funds for home improvements. Currently the bank has two home loans totaling \$142 thousand where down payment funds were derived from this program.

There are no financial or legal impediments that hinder the bank's ability to help meet the credit needs of its assessment area. The previous CRA evaluation dated December 17, 1997, resulted in a satisfactory rating.

DESCRIPTION OF THE ASSESSMENT AREA:

NBW's assessment area includes a portion of northwestern Dodge County, Wisconsin, and the southwestern corner of Fond du Lac County, Wisconsin. The assessment area is comprised of five middle-income BNAs. No part of the assessment area extends beyond the boundaries of the two counties. The assessment area consists only of whole block numbering areas. The assessment area meets the regulatory criteria and does not arbitrarily exclude low- or moderate-income geographies.

According to 1990 census data, the population in the bank's assessment area is 21,141. Total families in the assessment area equal 5,570. The updated Housing and Urban Development, (HUD) median family incomes for non-metropolitan areas in Wisconsin is \$50,800 in 2002 and \$48,400 in 2001. Income levels for the families in the assessment area are as follows: 619 (11%) low-income families, 944 (17%) moderate-income families, 1,612 (29%) middle-income families, and 2,395 (43%) upper-income families. A total of 296 families have incomes below the poverty level. This represents 5% of the total number of families in the assessment area. The median housing value within the assessment area in Wisconsin is \$54,438, with 75.42% of the housing units being owner-occupied.

The local economy is stable. The economy experienced some weakening after September 11, 2001, but there was no significant deterioration. Manufacturing companies make up the major employers in the area. The unemployment rate for July 2002 for Wisconsin is 4.7%, with Dodge and Fond du Lac County's rates being 4.7% and 4.3%, respectively. These figures are not seasonally adjusted.

Competition in the area is generally strong. Branches of two large multi state banks, branches of other national and state banks, as well as savings and loans, credit unions, insurance and brokerage companies are located in and around the bank's assessment area.

In conducting this assessment of the bank's performance, we contacted the Office of Economic Development for the City of Waupun. The contact stated that local financial institutions are very supportive in meeting the credit needs of the community. The contact expressed a very favorable opinion of NBW's involvement in meeting credit needs in the community.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

NBW's quarterly average loan-to-deposit ratio of 84% is reasonable considering the size of the bank, its competitors, and the assessment area's credit needs. We reviewed eight similarly situated banks with average assets under \$250 million in Fond du Lac and Dodge Counties. Of these eight similarly sized banks, NBW has the fourth highest loan-to-deposit ratio. The loan-to-deposit ratios of these competitor banks range from 65% to 102%.

Lending in Assessment Area

The bank's lending in its assessment area is reasonable. NBW originates a majority of its loans inside its assessment area. This conclusion is based on an analysis of the original dollar amount and number of all commercial, agricultural, residential real estate and consumer loans originated or refinanced by the bank between June 2000 and September 2002. A comparison of zip code and BNA boundaries indicated they are similar; therefore, the location of borrowers with loans in the selected time period was determined using their zip code as a proxy for the BNA address. A system report sorted by zip code and loan type was generated to complete the analysis. The following table illustrates the level of lending inside the bank's assessment area:

Penetration of Lending Inside the Bank's Assessment Area June 2000 – September 2002 Loan Originations		
	% of Total Number of Loans Inside the Assessment Area	% of Total Dollar Amount of Loans Inside the Assessment Area
Commercial Loans	84%	71%
Agricultural Loans	82%	81%
Consumer Loans	70%	66%
Residential Real Estate Mortgages	79%	78%
Total	76%	75%

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The bank does a satisfactory job of lending to borrowers of different income levels and to businesses of different sizes. The bank's primary loan products were used in our sample and are depicted in the following tables. A sample of 20 commercial loan customers located in the bank's assessment area indicated the following annual revenues:

Lending Distribution Based on Revenue Size of Businesses June 2000 – September 2002			
Revenue Size of Businesses Sampled (000's)	Bank Lending Distribution by Number of Loans	Percent	Percentage of Businesses in Each Revenue Category (census information)
< \$100	6	30%	93%
\$100 - \$500	11	55%	
\$500 - \$1,000	1	5%	
> \$1,000	2	10%	7%
Totals:	20	100%	100%

The table above shows 90% of the businesses sampled have revenues less than \$1 million. This is reasonable when compared to the demographics of the assessment area, where 93% of businesses have revenues less than \$1 million.

Lending Distribution Based on Revenue Size of Farms June 2000 – September 2002			
Revenue Size of Businesses Sampled (000's)	Bank Lending Distribution by Number of Loans	Percent	Percentage of Businesses in Each Revenue Category (census information)
< \$100	7	35%	96%
\$100 - \$500	13	65%	
\$500 - \$1,000	0	0%	
> \$1,000	0	0%	4%
Totals:	20	100%	100%

The table above shows 100% of the 20 farm loan customers sampled have revenues less than \$1 million. This is reasonable when compared to the demographics of the assessment area, where 96% of farms have revenues less than \$1 million.

The following table is based on an analysis of 30 refinanced residential real estate mortgage loans containing income information for the borrower. These customers are located within the bank's assessment area and were randomly selected from all refinanced residential real estate mortgages originated since June 2000.

Lending Distribution Based on Income Level of Refinanced Residential Real Estate Borrowers June 2000 – September 2002 Loan Originations			
Borrower Income Level	Bank Lending Distribution by Number of Loans	Bank Lending Distribution by Dollar Value of Loans	Percentage of Families in each Income Category (Census information)
Low	17%	12%	11%
Moderate	37%	36%	17%
Middle	30%	30%	29%
Upper	16%	22%	43%
Totals	100%	100%	100%

As indicated by the above table, 54% of the number and 48% of the dollar value of loans were made to low- and moderate-income borrowers, who make up 28% of the assessment area's population. This represents a strong distribution of lending to borrowers of different income levels. The lower volume of loans to low-income borrowers is good considering almost one-half of the low-income borrowers in the assessment area are below the poverty level (48%). Also, the dollar value of loans is slightly lower in the low-income category due to customers in these categories qualifying for smaller loan amounts.

Geographic Distribution of Loans

NBW's assessment area is made up of middle-income BNAs. An assessment of geographic distribution will not provide meaningful information.

Responses to Complaints

No complaints have been received by the bank or OCC relating to the bank's CRA performance since the previous evaluation.

Fair Lending Review

An analysis of 2001 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on analysis of this information (or absence of information), the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in conjunction with the previous CRA evaluation in 1997.